



**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Accrelist Ltd.

**Stock code:** QZG

**Meeting details:**

Date: 26 November 2020

Time: 2.00 p.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

**Q1.** As disclosed in the chairman's letter, the long-term vision is to transform the group into a medical aesthetics focused company. The group currently owns Accrelist Medical Aesthetics group of companies ("A.M Aesthetics"), which operates a network of clinics both locally and overseas; and distributes medical aesthetics products through A Skin Products Pte. Ltd. ("A Skin").

- (i) Would the company provide shareholders with greater clarity on the progress it has made with A.M Aesthetics? In particular, would the company consider disclosing the locations of its clinics, the number of medical aesthetic professionals and other key operational metrics, such as the number of customers served?**

On the corporate website of A.M Aesthetics (<https://www.amaesthetics.com.sg/>), it claims that it is the largest SGX-listed aesthetics player in Singapore with 12 clinics in Singapore, Malaysia and Penang.

- (ii) Would the company help shareholders reconcile the number of clinics it has in its network?**
- (iii) In addition, would the company provide shareholders with an updated holistic overview of its detailed growth plans for A.M Aesthetics, locally and overseas, given that the COVID-19 pandemic has caused unprecedented disruption to the global economy?**
- (iv) Given the group's background in electronics and commodities, how would customers view the authenticity of A.M Aesthetics and of A Skin?**
- (v) How much more capital has been earmarked to support the growth of the aesthetics business? How will the group be funding the growth?**
- (vi) In addition, the goodwill attributed to the acquisition of the Aesthetics Medical Group has been impaired from \$5.89 million to \$3.95 million (page 93). In particular, impairments were recognised for Accrelist Medical Aesthetics (TPY) Pte. Ltd. (\$1.2 million) and Accrelist Medical SPA Pte. Ltd. (\$0.8 million). How does the board ensure that the group does not overpay for its acquisitions as it seeks to grow in this area?**
- (vii) In addition, in what way has the COVID-19 pandemic affected the group's plans to "unlock the value of the group's investment in Jubilee Industries Holdings Ltd. ("Jubilee")? Would it be more optimal for the company to proceed with a capital reduction and proposed distribution of Jubilee shares to its shareholders (without the need to carry out a disposal of Jubilee shares to a related party)?**

- (viii) **Can the board clarify on the strategic value of A Tech Media Pte Ltd? Is the group looking to dispose A Tech Media to focus solely on medical aesthetics services?**

**Q2.** As disclosed in Note 27 (page 115 – Loan payable/convertible loan), the company decided not to exercise its conversion right to its convertible loan and agreed for an instalment repayment plan with Singapore Rixin Zhonghe Investment Pte Ltd (“SRZI”) to settle the convertible loan amount, including accrued interest.

Back in November 2016, the company entered into a subscription agreement with SRZI to issue a 3 years convertible loan for S\$4 million.

The non-exercise of the conversion led to a remeasurement loss on financial liability of S\$2.8 million which the group recognised in FY2020. The \$2.8 million loss is the difference between carrying amount and the amount the company is contractually obligated to pay to holders of the debentures at maturity (page 115).

- (i) **Would the board help shareholders understand why it had not exercised its right to convert the loan and instead opted to repay the loan and recognised a loss of \$2.8 million as a result?**
- (ii) **Can the company confirm the conversion price (adjusted for share consolidation) if the company had exercised its right to convert the loan?**  
Based on estimates, the \$4 million loan would have been converted into 37,037,037 shares at a conversion price of 10.8 cents (adjusted for share consolidation).
- (iii) **Would the board, especially the independent directors, help shareholders understand the rationale of paying back the convertible loan instead of exercising its rights to convert the loan into shares?** By converting the loan into shares at 10.8 cents (vs a 6-month volume weighted average price of 3.53 cents per share), the company would be able to secure funds cheaply and conserve cash to fund its growth.

**Q3.** The board comprises of four directors, namely Mr Terence Tea Yeok Kian (executive chairman), Mr Alex Kang Pang Kiang (non-executive director), Mr Ng Li Yong and Mr Lim Yeow Hua @ Lim You Qin (independent directors).

The biographies of the directors could be found on pages 6 to 9 of the annual report. Additional information on directors seeking their re-election can be found on pages 30 to 35.

The profiles of the directors are: male, Chinese, aged between 48 and 58, with experience and training in electronics, legal, accounting and manufacturing. The directors appear to be lacking in medical, aesthetics and service industry experience.

- (i) **How does the board ensure that it is able to understand its targeted customer segment and make good, well-informed decisions to drive the aesthetics business forward in profitable manner?**

Listing Rule 710 of the SGX Listing Manual (Catalist Rules) requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018, the provision from which it has varied, the reason for the variation, and the explanation(s) on how the practices it had adopted are consistent with the intent of the relevant principle.

The board noted that the independent directors do not make up a majority of the board (page 15), without stating its reason.

- (ii) **Would the board provide the reason(s) for the deviation for the code, as required by Rule 710?**
- (iii) **What are the board's near-term efforts to reconstitute the board to meet the Provisions of the Code of Corporate Governance 2018?**

*[The following question was sent to the company following the review of the 2018 annual report. It has been updated and reposted to the company following the review of the 2020 annual report.]*

**Q4.** On 8 July 2017, the company announced that it had made certain material adjustments and reclassifications to the unaudited results for the financial year ended 31 March 2017 (first announced on 31 May 2017), following the finalisation of the audit.

This happened again on 10 July 2018 when the company announced that it had made material adjustments and reclassifications to the unaudited results for the financial year ended 31 March 2018 (first announced on 31 May 2018), following the finalisation of the audit.

On 11 November 2020, the company once again announced that it had made material adjustments and reclassifications to the unaudited results for the financial year ended 31 March 2020 (first announced on 29 September 2020) following the finalisation of the audit.

In three of the past four financial years, the company had to make material adjustments and reclassification to the unaudited financial statements following the finalisation of audit.

The audit committee comprises of Mr Lim Yeow Hua @ Lim You Qin (chairman), Mr Ng Li Yong and Mr Kang Pang Kiang.

- (i) **As the directors have responsibilities to oversee the group's financial reporting process, can the directors, especially the directors in the audit committee, help shareholders understand their individual and collective efforts in the preparation of the group's financial statements to give a true and fair view in accordance with the provisions of the Act and FRSS?**
- (ii) **On what basis did the board consider that the members of the AC are appropriately qualified to discharge the responsibilities of the AC? As noted above, the company has to make material adjustments to the unaudited financial statements in three of the past four years, following the finalisation of audit.**
- (iii) **Would the AC chairman help shareholders understand his recent and relevant accounting or related financial management expertise or experience?**
- (iv) **Has the AC evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (v) **What changes has the AC made to the group's systems and processes to improve the quality and accuracy of the financial statements?**

<sup>^</sup>Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer's website, through "live" webcast and on SGXNet.

**Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.**

**Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](http://www.sias.org.sg)**

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<sup>^</sup> Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)



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